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## Liability for keyword advertising in the aftermath of the Google France decision of the CJEU

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# LIABILITY FOR KEYWORD ADVERTISING IN THE AFTERMATH OF THE *GOOGLE FRANCE* DECISION OF THE CJEU: IS ADWORDING THAT INVOLVES TRADEMARKS AS KEYWORDS LEGAL IN EUROPE?

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## 1. INTRODUCTION

Is Adwording that involves trademarks as keywords legal in Europe? After five Court of Justice of the European Union (CJEU) preliminary rulings<sup>1</sup>, an order<sup>2</sup> and a body of national case law complying with the Court's rulings<sup>3</sup> we still do not know. A year after the CJEU delivered its landmark judgment on the *Google France* cases there are still many questions to be answered. In the aforementioned cases the CJEU was asked to decide upon the legality of the sale and use of signs identical to trademarks as search result keywords without the consent of the trademark proprietors.

The controversy between brand owners and internet service providers, such as titan search engine Google, on the thorny matter of keyword advertising had spurred litigation throughout Europe<sup>4</sup> and in

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<sup>1</sup> CJ, *Google France SARL/Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL and Centre national de recherche en relations humaines (CNRRH) SARL*, P. A. Thonet, B. Raboin (hereinafter *Google France*), 23 March 2010 (Joined Cases C-236 to C-238/08); CJ, *Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH/Günter Guni and trekking.at Reisen GmbH* (hereinafter *BergSpechte*), 25 March 2010 (C-278/08); CJ, *Portakabin Ltd and Portakabin BV/Primakabin BV* (hereinafter *Portakabin*), 8 July 2010 (C-558/08); CJ, *L'Oréal SA, Lancôme parfums et beauté & Cie, Laboratoire Garnier & Cie, L'Oréal (UK) Limited/eBay International AG, eBay Europe SARL and eBay (UK)* (hereinafter *L'Oréal/eBay*), 12 July 2011 (C-324/09); CJ, *Interflora Inc Interflora British Unit/Marks & Spencer plc Flowers Direct Online Limited* (hereinafter *Interflora*), 22 September 2011 (C-323/09).

<sup>2</sup> CJ, *Eis.de GmbH/BBY Vertriebsgesellschaft mbH* (hereinafter *Eis.de*), 26 March 2010 (C-91/09).

<sup>3</sup> OLG Braunschweig, 2 U 113/08 of November 2010 (Germany); *Tempur v. Energy Plus* Unreported December 2010 [RB (Den Haag)] (Netherlands); *Tempur v. Medicomfort* Unreported February 2011 [RB (Den Haag)] (Netherlands); *Vorschaubilder I*, BGH, I ZR 69/08 of 29 April 2010 (Germany); *Bananabay II*, BGH, I ZR 125/07 of 13 January 2011 (Germany); *Vorschaubilder II*, BGH, I ZR 140/10 of 19 October 2011 (Germany).

<sup>4</sup> Indicatively on French case law on this matter see: *Viaticum & Luteciel v. Google Fr.*, Tribunal de grande instance Nanterre, Oct. 13, 2003; *Hotel Meridien v. Google Fr.*, Tribunal de grande instance Nanterre, Dec. 16, 2004; *Pierre Alexis T. v. Google Fr.*, Tribunal de grande instance Nanterre, Dec. 14, 2004, *La Société Agence des Médias Numériques v. Espace 2001*, Tribunal de grande instance Paris, 3e ch., June 24, 2005; *Kertel v. Google Fr.*, Tribunal de grande instance Paris, 3e ch., Dec. 8, 2005; *Atrya v. Google Fr.*, Tribunal de grande instance Strasbourg, 1e ch., July 20, 2007; *Overture v. Accor*, Cour d'Appel Versailles, 12e ch., Nov. 2, 2006; *Citadines v. Google Fr.*, Tribunal de grande instance Paris, Oct. 11, 2006; For UK case law see *Reed Executive PLC v. Reed Bus. Info. Ltd.*, [2004] EWCA (Civ) 159, [5], [138]; *Wilson v. Yahoo! U.K. Ltd.*, [2008] EWHC (Ch) 361. For German Case law see Bundersgerichtshof, Entscheidung vom 22 Januar 2009, I ZR 139/07 (Issued on appeal of cases LG Stuttgart, Entscheidung vom 13.03.2007 —41 O 189/06—; KfH and OLG Stuttgart, Entscheidung vom

the US<sup>5</sup> long ago. Within the last decade courts all over Europe were called to confront the clash of traditional trademark infringement doctrines stemming from a world of physical boundaries with the practices of the internet era and decide whether to favour the interests of trademark holders at the risk of harming essential functions of internet service providers, which influence internet structure and capability. The fragile balance that had to be struck has resulted in significant disparity in the application of the provisions of the Trademark Directive<sup>6</sup> and the Community Trademark Regulation<sup>7</sup> on keyword advertising within the EU. Throughout the past decade European case law remained inconsistent and unpredictable, both within and across Member States<sup>8</sup>. Unsurprisingly when the French Cour de Cassation referred the cases discussed to the CJEU for preliminary ruling, the Court's judgment was anticipated with great expectations, not only by brand owners and providers of services over the internet but also by the online community and policy makers.

On 23 March 2010, when the CJEU's ruling was issued, it was seen as a major victory for Google<sup>9</sup>. The CJEU held that Google is not infringing the claimants' trademarks. This was not the end of the story though. The Court held that the advertisers who purchase keywords identical to registered trademarks may infringe trademark law under certain conditions. Thus, Google is not primarily liable for storing and arranging for the display of those ads, but it may incur secondary liability as an accessory to trademark infringement by an advertiser under national law. The subsequent question raised was whether Google could benefit from the safe harbour provided in Article 14 of the E-Commerce Directive<sup>10</sup> and escape liability when its clients' ads violated third parties' copyrights. The

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09.08.2007 — 2 U 23/07—); Bundersgerichtshof, Entscheidung vom 22 Januar 2009, I ZR 30/07 (Beta layout) (Issued on appeal of cases LG Düsseldorf, Entscheidung vom 07.04.2006 — 34 O 179/05— and OLG Düsseldorf, Entscheidung vom 23.01.2007 — I-20 U 79/06—).

<sup>5</sup> *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2<sup>d</sup> Cir. 2009); *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, N.º C 03-5340 JF (RS), (N.D. Cal 2007); *Australian Gold, Inc., v. Hatfield*, 436 F.3d 1228 (10<sup>th</sup> Cir. 2006); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020 (9<sup>th</sup> Cir. 2004); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004). For a discussion of the US Google cases indicatively see GOLDMAN, E., «Deregulating Relevancy in Internet Trademark Law», 54 *Emory L. J.* 507, 593-95 (2005); FISHMAN, I., «Comment, Why Are Competitors' Advertising Links Displayed When I Google My Product? An Analysis of Internet Search Engine Liability for Trademark Infringement», 5 *J. Marshall Rev. Intell. Prop. L.* 431, 453-54 (2006); MOFFAT, V., «Regulating Search», 22 *Harv. J.L. & Tech.* 475 (2009); TRAVIS, H., «The Future According to Google: Technology Policy From the Standpoint of America's Fastest-Growing Technology Company», 11 *Yale J.L. & Tech.* 209 (2008-09); DOGAN, S., «The Future of Internet Content and Services: Beyond Trademark Use», 8 *J. on Telecomm. & High Tech. L.* 135 (2010).

<sup>6</sup> First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (*OJ* 1989 L40, p. 1), codified as Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trademarks *OJ* L 299/25 (hereinafter Trademark Directive).

<sup>7</sup> Council Regulation (EC) N.º 40/94 of 20 December 1993 on the Community Trademark, *OJ* L 011, 14.1.1994, p. 1 (hereinafter Trademark Regulation).

<sup>8</sup> For a summary of the different positions taken by the German appellate courts on the use of trademarks in keyword advertising see SCHIRMBACHER, M. and REINHOLZ, F., «The Use of a Third Party's Trademarks as a Keyword Trigger in Automated Advertising Systems of Internet Search Engines – Case Law in Europe and Germany», Vol. 4, N.º 2 *Convergence* 141 (2008); VIEFHUES, M. and SCHUMACHER, J., «Country Correspondent: Germany», *World Trademark Rev.* 62 (Feb.-Mar. 2009). For a discussion of French case law see SEMENTOV, N., «Mission Impossible? Search Engines. Ongoing Search for a Viabl», 13 *J. Internet L. & 3* (2009). For a discussion of UK case law see MEALE, D., «The Online Advertising Free-riding Free-for-all», 3 *J. Intell. Prop. L. & Prac* 779 (2008).

<sup>9</sup> Indicatively see Dr OBHI, H., Senior Litigation Counsel, EMEA, «European Court of Justice Rules in Favor of Google», in Official Google Blog available at <http://googleblog.blogspot.com/2010/03/european-court-of-justice-rules-in.html>; The Wall Street Journal Blog, «Adword victory means pain for Brand Owners», available at <http://blogs.wsj.com/source/2010/03/23/google-adword-victory-will-inflict-pain-on-brand-owners/>; New York Times, «EU Court Curbs Sales by Google of Brands Names as Keywords» available at <http://www.nytimes.com/2010/03/24/technology/24lomb.html?hpw>; The Hindu Business Line, «An advertising victory for Google», available at <http://www.thehindubusinessline.com/todayspaper/article987260.ece?ref=archive>.

<sup>10</sup> Directive 2000/31 of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market *OJ* 2000 L 178 p. 1) (hereinafter E-

Court's ruling did not shed light on this issue, prolonging the legal uncertainty surrounding keyword advertising. The CJEU held that in such cases Google could rely on the defence provided in Article 14 of the E-Commerce Directive if it has not played an active role of such a kind as to give it knowledge of or control over the data stored and it delegated to national courts the task to decide on a case by case basis whether Google has played such a role.

This paper argues that the CJEU avoided a number of crucial questions and left significant regulatory leeway to Member States that may prompt future litigation. The reasoning under which Google is not liable introduces a novel criterion for the application of Article 5(1) of the Trademark Directive and Article 9 of the Trademark Regulation<sup>11</sup>. Moreover, the criteria regarding the circumstances under which an advertiser purchasing AdWords is liable and the delegation to Member States of the decision on a case by case basis may result in legal uncertainty. Furthermore, the lack of clear criteria regarding the application of Article 14 of the E-Commerce Directive incites further uncertainty as to whether search engines, such as Google, can benefit from this safe harbour. For these reasons this paper examines the judgment of the Court in detail, questions its reasoning and identifies the current state of the law on permissible use in keyword advertising of a third party's trademarks without the proprietor's consent.

## 2. THE FACTS AND THE OUTCOME OF THE CASE

Brand owners, including designer label Louis Vuitton, a travel arrangement service provider and a matrimonial agency, sued Google in France on the basis that their trademarks were infringed when AdWords allowed other firms to bid for words identical to their registered marks in keyword triggered advertising<sup>12</sup>.

AdWords, which constitutes Google's main advertising product and its main source of revenue, manipulates search results to artificially prioritize an advertiser's website over other possible results<sup>13</sup>. AdWords works in the following way; when an internet user types a search term into a search engine such as Google, the search engine displays the sites which appear best to correspond to the search term, in decreasing order of relevance, also known as the «natural» results of the search<sup>14</sup>. Alongside the natural results, search engines also display sponsored links that are relevant to the search term<sup>15</sup>. Google AdWord's controversy arose from its practice to allow advertisers to select a trademarked keyword, even if the account holder does not hold the rights to the trademarked term. Trademark proprietors opposed this practice, as internet users who selected their trademark as a search term may visit the competitor advertiser's website, which may also offer copycat products. In addition, they argued that the ability of competing advertisers to bid for trademarks as keywords led to increased costs when bidding for their own trademarks, thus damaging the advertising function of their marks.

The French courts found that Google offered advertisers the opportunity to select the trademarks in

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Commerce Directive).

<sup>11</sup> The *Google France* cases dealt with the application of both the Trademark Directive and the Trademark Regulation. As the scope and provisions of both instruments are essentially the same, for simplicity purposes, this paper refers only to the Trademark Directive, the analysis of which is also pertinent for the provisions of the Trademark Regulation.

<sup>12</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 30, 36 and 40.

<sup>13</sup> See [www.google.com, «Google Launches Self-Advertising Programs», available at http://www.google.com/press/pressrel/pressrelease39.html](http://www.google.com/press/pressrel/pressrelease39.html)

<sup>14</sup> BRIN, S. and PAGE, L., «The Anatomy of a Large-Scale Hypertextual Search Engine», 30 *Comp. Networks & ISDN Sys.* 107, at 2.1.2 (1998) in Seventh International World-Wide Web Conference 2.1.2 (1998), available at <http://ilpubs.stanford.edu:8090/361/>.

<sup>15</sup> See [www.google.com, AdWords Help: What is Google AdWords?, available at http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6084](http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6084). See also G. Lastowka, «Google's Law», 73 *Brooklyn L. Rev.* 1327, 1339- 40 (2008), who describes the auctioning, linking and payment process of Google AdWords.

question both as standalone keywords and in expressions with words such as «imitation» and «copy»<sup>16</sup>. On this basis, the courts found Google liable for trademark infringement, and appeal courts affirmed those rulings<sup>17</sup>. Google appealed to the Cour de Cassation, which referred questions to the CJEU for a preliminary ruling, seeking clarification on the interpretation of the Trademark Directive and of the Trademark Regulation.

The first question before the CJEU was whether Google itself was primarily liable for trademark infringement under Articles 5(1)(a) and 5(1)(b) of the Trademark Directive, on the grounds that it was storing for a profit the trademark names as search terms and arranging the display of ads according to the trademarked keywords<sup>18</sup>. The Court answered negatively with the reasoning that Google did not use the marks in its «own commercial communications» and the thus the «use in trade requirement» of Article 5 was not fulfilled. The CJEU held that creating the technical conditions for third parties to use a trade mark does not constitute use of the mark in trade by Google<sup>19</sup>. The CJEU based its holding on the interpretation of Article 5(1)(a) of the Trademark Directive, and not on Article 5(1)(b) as requested by the referring court, with the reasoning that in the disputes in question the signs used as keywords were identical to the protected marks<sup>20</sup>.

In addition, in Case C-236/08 (*Louis Vuitton*) the Cour de Cassation also asked the CJEU whether a proprietor of a reputable mark could oppose such use under Article 5(2) of the Trademark Directive<sup>21</sup>. The CJEU held that in case an advertiser uses a sign identical to a reputable mark in order to promote the sale of imitations, the advertiser is liable for dilutive use, yet Google is not, because merely «storing» the keyword does not amount generally to using it in the meaning of the Trademark Directive, so it cannot specifically violate its dilution provision<sup>22</sup>. Thus, the CJEU did not engage in an examination of the rights conferred by reputable marks in the context of keyword advertising<sup>23</sup>.

In Case C-237/08 (*CNRRH et al.*) another question was referred to the CJEU namely whether the

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<sup>16</sup> *Ibid.*, par. 101.

<sup>17</sup> *Google France SARL, Google Inc. v. Louis Vuitton Malletier SA*, judgment of 4 February 2005 of the Tribunal de grande instance de Paris (Regional Court, Paris) and appeal judgment of 28 June 2006 Cour d'appel de Paris (Court of Appeals, Paris); *Google France SARL v. Viaticum SA, Luteciel SARL*, judgment of 13 October 2003 of the Tribunal de grande instance de Nanterre (Regional Court, Nanterre) and appeal judgment of 10 March 2005 Cour d'appel de Versailles (Court of Appeals, Versailles); *Google France SARL v. CNRRH SARL, P-A Thonet, B. Ranoïn, Tiger Sarl*, judgment of 14 December 2004 of the Tribunal de grande instance de Nanterre (Regional Court, Nanterre) and appeal judgment of 23 March 2006 Cour d'appel de Versailles (Court of Appeals, Versailles).

<sup>18</sup> This is the first question asked in C-236/08, *Louis Vuitton* and C-237/08, *Viaticum*, and the second question in C-238/08, *CNRRH* (see Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 32, 37 and 41).

<sup>19</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 53-59.

<sup>20</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 46-47. Article 5(1)(a) provides protection to trademarks from the likelihood of confusion caused by identical marks used in relation to goods or services identical to the ones for which the trademark is registered, while Article 5(1)(b) provides protection to trademarks from identical or similar marks used in relation to goods or services identical or similar to the ones for which the trademark is registered.

<sup>21</sup> Article 5(2) provides protection to reputable marks from identical or similar marks used in relation to dissimilar or similar goods or services to the ones for which the trademark is registered, where use of the latter without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

<sup>22</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 102-105 with reference to pars. 55-57 of the same decision.

<sup>23</sup> The answer to this question was given by the CJEU in C-323/09, *Interflora*, cited, pars. 76-83 for dilution and 84-92 for free-riding. The CJEU held that the selection of a sign which is identical with or similar to a trademark with a reputation as a keyword within an internet referencing service does not lead to *dilution*, if it «enables the reasonably well-informed and reasonably observant internet user to tell that goods or services offered originate not from the proprietor of the trademark but, on the contrary from of a competitor of that proprietor» (par. 81). The Court also held that keyword based advertising «falls, as a rule, within the ambit of fair competition in the sector of the goods or services concerned and is thus not without «due cause» for the purposes of Article 5(2) of the Trademark Directive», unless the displayed advertisement offers a mere imitation of the goods or services in question, causes dilution or tarnishment or adversely affects the functions of the trademark concerned (par. 91).

third party advertisers were liable for trademark infringement on the grounds that they select the trademark as a keyword and use it to generate sponsored links to websites offering identical goods and services<sup>24</sup>. The CJEU said that third party advertisers could be liable, «in case where the ad does not enable the average internet user, or enables that user only with difficulty, to ascertain whether the goods and services referred to therein originate from the proprietor of the trademark or an undertaking economically connected with it or, on the contrary, originate from a third party»<sup>25</sup>.

Finally, the CJEU considered whether Google could rely on a defence under Article 14 of the E-Commerce Directive<sup>26</sup>. The Court held that Google can benefit from the safe harbour established by the E-Commerce Directive, so long as the service provider has not played an active role of such a kind as to give it knowledge of or control over the data stored and it delegated to national courts the task of determining on a case by case basis whether Google played such a role<sup>27</sup>.

### 3. ANALYSIS OF THE JUDGMENT

As demonstrated above, the judgment provided answers to three major issues, namely (a) whether Google itself was primarily liable for trademark infringement under Article 5(1)(a) of the Trademark Directive (b) whether third party advertisers were liable for trademark infringement under the same provisions and finally (c) whether Google could rely on the defence under Article 14 of the E-Commerce Directive in jurisdictions where it could be held liable for secondary infringement for storing and arranging for display signs that trigger third parties' ads that infringe trademark law. This paper follows the same structure and analyses the reasoning of the CJEU for each one of the three issues it tackled with.

#### 3.1. Primary liability of Google under Articles 5(1)(a) of the Trademark Directive

Article 5(1)(a) of the Trademark Directive sets out four cumulative conditions which must be fulfilled for the proprietor of a trademark to be entitled to prohibit a third party from using a sign identical with that trademark; (a) The identical sign must be used without the consent of the proprietor (b) it must be used in the course of trade (b) it must be used in relation to goods and services (c) its use must affect or be liable to have an adverse effect on the functions of the trademark<sup>28</sup>.

In the case of Google though the CJEU did not get to apply the four prong test outlined above, as after finding that the signs in questions were not used with the consent of the trademark proprietors<sup>29</sup>, it held that the second condition of the test was not satisfied. The CJEU opined that a keyword is the means used by an advertiser to trigger the display of her advertisement<sup>30</sup>. Under Article 5(1)(a) of the Directive the «use in the course of trade» test has a low threshold which is satisfied «where [use] occurs in the context of commercial activity with a view to economic advantage and not as a private matter»<sup>31</sup>.

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<sup>24</sup> This question appears only in C-238/08, *CNRRH*, as the first question referred (Joined Cases C-236 to C-238/08, *Google France*, cited).

<sup>25</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 99.

<sup>26</sup> This question appears as the third question in C-236/08, *Lonis Vuitton*, the second question in C-237/08, *Viatium*, and the third question in C-238/08, *CNRRH* (Joined Cases C-236 to C-238/08, *Google France*, cited).

<sup>27</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 120.

<sup>28</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 49; CJ, *Celine*, 11 September 2007 (C-17/06), par. 16; order in CJ, *UDV. North America*, 19 February 2009 (C-62/08), par. 41; and CJ, *L'Oréal and Others*, 18 June 2009 (C-487/07), par. 58.

<sup>29</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 54.

<sup>30</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 51 and 52. See also C-278/08, *BergSpreche*, cited, par. 18 and C-324/09, *L'Oréal/eBay*, cited, par. 87.

<sup>31</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 50. CJ, *Arsenal Football Club*, 12 November 2002 (C-206/01), par. 40; C-17/06, *Celine*, cited, par. 17; C-62/08, *UDV. North America*, cited, par. 44.

There was no doubt, according to the CJEU, that Google's uses constituted commercial activities with a view to an economic advantage<sup>32</sup>. However, the CJEU reasoned, «use» in the sense required by the Trademark Directive «implies, at the very least, that [a defendant] uses the sign in *its own commercial communications*»<sup>33</sup>. (emphasis added) Hence, the CJEU added a new criterion for the application of Article 5(1)(a) within the «use in the course of trade» prong, namely that the use of the sign in trade should take place for its own commercial communication. Because AdWords failed to meet this test, Google had not used the trademarked keywords in the sense of Article 5(1)(a); instead, it had merely created the «technical conditions» for others to use them<sup>34</sup>.

However, such a requirement does not appear in the wording of the Article 5 of the Directive, nor in previous CJEU case law interpreting it<sup>35</sup>. On the contrary, in its Order in case *UDV North America Inc. v. Brandtraders NV* the CJEU held that a defendant could violate EU trademark law without having promoted its own image, goods or services<sup>36</sup>. In this case, an online broker, Brandtraders, operated a website where traders could anonymously advertise and negotiate the sale of goods and, once a sale had been agreed upon, the broker would draw up a sales agreement with the buyer for a commission fee. The broker entered into a contract to sell Smirnoff Ice beverages on behalf of a vendor that had advertised them on the broker's website<sup>37</sup>. The trademark did not appear on the contract but merely in a confirmation letter to the vendor and an invoice to the purchaser. Based on those business papers, which followed the sale of the products, the Court found that the broker could be held liable for trademark infringement<sup>38</sup>.

The CJEU held that:

«[t]he concept of “use” for the purpose of Article 9(1)(a) and (2)(d) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark covers a situation, such as that at issue in the main proceedings, in which a trade intermediary, which is acting in its own name but on behalf of the vendor and is thus not an interested party in relation to trade in goods in which it is itself a contractual party, uses, in its business papers, a sign which is identical with a Community trademark in relation to goods or services which are identical with those for which the mark is registered»<sup>39</sup>.

Despite the introduction of the «use in its own commercial communication criterion» in *Google France*, the CJEU still thinks that *UDV North America* is good law. The CJEU attempted to interpret coherently its holding in *UDV North America* with the addition of «use in one's own commercial communication» criterion in *Google France* arguing that the use «in relation to goods or services» «can also refer to goods or services of another person, on whose behalf the third party is acting»<sup>40</sup>. Likewise, in *L'Oréal v. eBay* the Court referred to its holding in *UDV North America* and opined that «the fact that an economic operator uses a sign corresponding to a trade mark in relation to goods which are not his own goods—in the sense that he does not have title to them— does not in itself prevent that use from falling within Article 5 of Directive 89/104»<sup>41</sup>.

<sup>32</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 53.

<sup>33</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 56.

<sup>34</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 57.

<sup>35</sup> Indicatively see C-206/01, *Arsenal Football Club*, cited, par. 40; C-17/06, *Celine*, cited, par. 17; C-62/08, *UDV. North America*, cited, par. 44; CJ, *Anheuser*, 16 November 2004 (C-245/02); CJ, *Adam Opel*, 25 January 2007 (C-48/05); CJ, *O2 Holdings and O2 (UK)*, 12 June 2008 (C-533/06), par. 57.

<sup>36</sup> Order in C-62/08, *UDV. North America*, cited.

<sup>37</sup> C-62/08, *UDV. North America*, cited, pars. 13-14.

<sup>38</sup> C-62/08, *UDV. North America*, cited, pars. 37-41, 54.

<sup>39</sup> Operative part of the order in C-62/08, *UDV. North America*, cited.

<sup>40</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 60.

<sup>41</sup> C-324/09, *L'Oréal/eBay*, cited, par. 91.

However, the «use in relation to goods and services» is the third of the conditions that need to be fulfilled under the four prong test of Article 5(1) of the Trademark Directive and is examined by the courts after the second prong of the test is satisfied. The tension between *UDV North America* and *Google France* lies in the second prong of that test, namely the interpretation of the «use in the course of trade» criterion. The use of a sign identical to UDV's trademark «Smirnoff Ice» in the Brandtraders NV invoice and confirmation letter was considered as use in the course of trade by Brandtraders NV, regardless of whether the sign was used in its own commercial communication. The tension becomes even greater if one considers that Brandtraders is an operator of an online marketplace, just like eBay, for which the CJEU held that it does not use for the purposes of Article 5 of the Trademark Directive signs identical with trademarks which appear in offers for sale displayed on its website<sup>42</sup>.

Taking all three cases and their facts into consideration, it seems that the «use in its own commercial communication criterion» needs to be satisfied only when a sign identical or similar to a trademark is used in order to promote the sale of goods and services, for example in online advertising. Indeed, the invoice and the letter of confirmation bearing a sign identical to a trademark in *UDV North America* were drafted after the promotion and sale of the goods in question and they did not constitute a «commercial communication». In support of this argument, it is important to consider that the term «commercial communication» is not novel, but appears also in the E-Commerce Directive. In particular, Article 2(f) of the E-Commerce Directive defines «commercial communication» as «any form of communication designed to promote, directly or indirectly, the goods, services or image of a company, organisation or person pursuing a commercial, industrial or craft activity or exercising a regulated profession». Hence, if a sign is used in the context of communication designed to promote goods, services or its image, the infringer need to promote its own goods, services or image; in contrast thereto, in any other case the sign may be used in relation to goods or services of another person.

The practical consequences of the adoption of this novel criterion which shields Google from scrutiny by terminating its inquiry at the threshold question of whether there is use in the course of trade, are significant. It has been argued that future misbehaviours will survive control under this new criterion<sup>43</sup>. If Google modifies its natural results so that on occasion the link to a trademark proprietor's website diverts users to an advertiser's page, or if Google includes advertisements directly at the natural results of the searches, Google will be shielded from scrutiny as it still would not use the signs for its own communication, although such behaviour would cause significant confusion.

A response to these concerns may be that it is unprofitable for Google to engage in such practices and that even if it does, its conduct may still fall under legal scrutiny. In particular, if Google followed such practices, the quality of its services and its reliability as a search engine would be undermined, which would be expected to lessen the interest of the public in the search engine. Eventually, it would become unprofitable to include sponsored websites in Google's natural results or redirect users to sponsored websites. Furthermore, as discussed below, in such cases Google would be almost surely liable under the secondary liability doctrine, as it would play an active role in creating the technical conditions necessary for infringement of trademark law.

As a result, to the extent that the market and the existing legal framework provide answers to such concerns, the novel criterion upon which the CJEU relied seems to serve legitimate interests, albeit based on fragile foundations. In essence, Google is selling advertising signs, not as signs used in relation to goods or services, but only as an item of commodity itself. Thus and to the extent that it keeps handling signs as a commodity regardless of the goods and services which those signs promote, it should not be held primarily liable for trademark infringement.

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<sup>42</sup> C-324/09, *L'Oréal/eBay*, cited, pars. 98-105.

<sup>43</sup> Indicatively see DINWOODIE, G. B. and JANIS, M. D., «Confusion Over Use: Contextualism in Trademark law», 92 *Iowa L. Rev.* 1669 (2007); GRIMMELMAN, G., «The Structure of Search Engine Law», 93 *Iowa L. Rev.* 1, 62; LASTOWKA, G., «Google's...», *op. cit.* This danger was also identified in the US by the Second Circuit, in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2nd Cir. 2009), p. 130, where it was argued that «If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion».



### 3.2. Liability of third party advertisers under Article 5(1) of the Directive

The second question referred to the CJEU was whether the third party advertisers were liable for trademark infringement on the grounds that they select the trademark as a keyword, and use it to generate sponsored links to websites offering identical goods and services. Having stated that in the cases in question trademark proprietors did not provide their consent for the use of their trademarks<sup>44</sup>, the analysis of the CJEU proceeded on three levels, examining whether the «invisible use» of AdWords took place, whether it constituted use of a trademark «in the course of trade», use «in relation to goods and services» and use «with an adverse effect on the protective functions of the mark».

#### 3.2.1. Use of a mark «in the course of trade»

As mentioned above, the «use in the course of trade» test of Article 5(1) of the trademark Directive is understood by the CJEU as signifying use in the context of commercial activities with a view to an economic advantage and not as a private matter<sup>45</sup>. Thus, when applying that test with regard to the third party advertisers purchasing the referencing service and choosing as a keyword a sign identical with another's trademark, the CJEU held that they undoubtedly are using the signs within the meaning of Article 5(1), as the sign selected as keyword is the means used to trigger the ad display and thus it is used in the context of a commercial activity and not as a private matter<sup>46</sup>.

Furthermore, the CJEU draw a distinction between Google and advertisers based on the theory that advertisers, as opposed to Google, use the sign in their own commercial communications. However, the CJEU did not apply its newly devised criterion to legitimise the «invisible use» of the marks, namely messages from advertisers to the public that do not mention the mark to consumers in any way<sup>47</sup>. The Court highlighted that «the use, by a third party, of sign [...] implies at the very least that the third party uses the sign in its own commercial communication»<sup>48</sup>.

#### 3.2.2. Use of a mark «in relation to goods and services»

Secondly, the CJEU had to determine whether the use made by the advertiser of a sign identical with the trademark of a competitor constituted use «in relation to goods or services» according to Article 5(1) of the Trademark Directive and the case law interpreting it<sup>49</sup>. The CJEU applied an expansive standard that clearly covers also «invisible» use of trademarks, namely posting advertisements that do not exhibit the protected mark in any way.

Following its previous jurisprudence, the CJEU held that in cases where signs identical with registered trademarks appear in the ads displayed under the heading «sponsored links», those signs are used in relation to goods and services. Such acts are similar to the offering of goods by a third party under a sign identical with the trademarks and the use of that sign in advertising, which constitute situations described in Article 5(3) of the Trademark Directive, constitute use in relation to goods and services<sup>50</sup>.

However, the Court held that even in cases when the advertiser makes no reference to the mark in

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<sup>44</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 54.

<sup>45</sup> See *infra* under 3.1, note 30.

<sup>46</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 52.

<sup>47</sup> The invisible use of trademarks in AdWords does not constitute infringement under previous German law and US law.

<sup>48</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 56.

<sup>49</sup> Indicatively see C-48/05, *Adam Opel*, cited, pars. 26-29; C-533/06, *O2 Holdings and O2 (UK)*, cited, par. 34; C-62/08, *UDV. North America*, cited, pars. 43-51.

<sup>50</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 61 and 62 with further references to C-206/01, *Arsenal Football Club*, cited, par. 41, and C-48/05, *Adam Opel*, cited, par. 20.

the AdWord or otherwise while attempting to promote its own goods and services, use of the protected mark occurs simply by virtue of booking the keyword with Google. As such behaviour is not similar to any of the types of conduct listed under Article 5(3) of the Trademark Directive, the CJEU had to justify why such use constituted «use in relation to goods or services». The Court noted that Article 5(3) provides only a non-exhaustive list of the kinds of use which the proprietor may prohibit<sup>51</sup>, bearing in mind that the list was drawn up before the full emergence of electronic commerce and the advertising produced in that context.

The CJEU argued that an advertiser who chooses as a keyword a sign identical to another person's trademark intends for users who type the trademark in a search engine to click on his ad and that the internet users look for information or offers on goods or services covered by the mark. Based on these presumptions, the CJEU held that the internet user will either perceive the sponsored links as alternative to the goods or services of the trademark proprietor, or she will disregard them as irrelevant immediately<sup>52</sup>. The CJEU concluded that in situations that a sign identical with a trademark is selected as a keyword by a competitor of the proprietor of the mark with the aim of offering internet users an alternative to the goods or services of that proprietor, there is use of that sign in relation to the goods or services of that competitor<sup>53</sup>. In contrast thereto, there is no trademark infringement when the advertised goods or services are not alternative to the goods or services advertised. For example, a car rental company may purchase as AdWords signs identical or similar to trademarks of hotels or airlines and a luxury car producer may purchase as AdWords signs similar to popular newspapers<sup>54</sup>.

### 3.2.3. Use of a mark «with an adverse effect on the protective functions of the mark»

Thirdly, according to Article 5(1)(a) of the Trademark Directive to constitute trademark infringement, the use of a trademark as an AdWord must also have an adverse effect on the protected functions of the mark. In this respect, the CJEU mentioned two such protected functions, the indication of origin and the advertising function<sup>55</sup>.

#### 3.2.3.1. Indication of Origin

The analysis of the CJEU is inconclusive as regards whether the use of a mark that results in the placement of ads under the rubric of «sponsored links» can harm the function of the mark as an indicator of origin. The Court rather considered it a matter for national courts to resolve on a case by case basis, but it provided two important instructions to national courts in this regard.

According to the Court's ruling, there is an adverse effect on the function of origin:

— if the ad suggests that there is an economic link between the third party and the proprietor of the trademark, or

— if the ad is vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive internet users are unable to determine whether the goods or services originate from the advertiser or the proprietor of the mark<sup>56</sup>.

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<sup>51</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 65 citing C-206/01, *Arsenal Football Club*, cited, par. 38, and C-48/05, *Adam Opel*, cited, par. 16.

<sup>52</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 67-68.

<sup>53</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 68.

<sup>54</sup> Note however that the use of signs corresponding to dissimilar goods or services may be open to examination on the basis of Article 5(2) of the Trademark Directive. See C-324/09, *L'Oréal/eBay*, cited, par. 90.

<sup>55</sup> In C-323/09, *Interflora*, cited, the CJEU provided guidance on interpretation not only in relation to the function of indicating origin and the advertising function but also the «investment» function.

<sup>56</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, pars. 89-90 and 99. See also C-558/08, *Portakabin*, cited, par. 54 and C-324/09, *L'Oréal/eBay*, cited, par. 94.

The CJEU's answer draws up the battle lines for future litigation. The requirement to define «vagueness» concerning origin from the perspective of «normally informed and reasonably attentive internet users» provides a significant leeway for interpretation to national courts. Harmonisation could have been achieved more successfully, if the Court had provided more concrete instructions, instead of devising a test open to multiple interpretations<sup>57</sup>.

Furthermore, another point to ponder upon is the emphasis that the CJEU has placed on the potential adverse effect of the use of trademarks as keywords for the function of indication of origin of the mark in an Article 5(1)(a) case. Indeed, under Article 5(1)(a), when identical marks protect identical goods or services, the proprietor of the trademark need not prove that there is a likelihood of confusion of the relevant public. The CJEU introduced by the back door that double identity is not an absolute wrong, but is only wrong if there is in addition confusion as to the trade origin or some other adverse affect on the other trademark functions. Hence, the CJEU seems to be going away from double identity being automatically actionable by itself to double identity being actionable if confusion is present<sup>58</sup>.

### 3.2.3.2. Advertising Function

As regards the advertising function of the mark, the Court offers a clearer rule: It held that possible «repercussions» on the advertising use caused by AdWords do not in themselves constitute an adverse effect on the advertising function of the trademark. It held that «it must be concluded that use of a sign identical with another person's trademark in a referencing service such as that at issue in the cases in the main proceedings is not liable to have an adverse effect on the advertising function of the trademark»<sup>59</sup>.

## 3.3. The safe harbour provision of the E-Commerce Directive

The CJEU held that Google does not bear liability for storing trademarks as search terms, and profiting from that storage, whereas third party advertisers may incur liability under EU trademark law if their ad is vague as to the origin of the goods or services advertised. The Court also held though that Google is the entity «creating the technical conditions necessary for the use of a sign»<sup>60</sup> and thus it seems quite likely that national courts may regard it as an accessory to trademark infringement conducted by the advertisers. In light of this possibility, the French Cour de Cassation referred a last question to the CJEU on whether Google could rely on the safe harbour of 14 of the E-Commerce Directive. Article 14 provides that the provider of an «information society service» cannot be held liable for data which is stored at the request of a user; it signifies that the provider of such service cannot be held liable for the data which she stored at the request of the recipient of that service, unless that service provider, after having become aware, because of information provided by an injured party or otherwise, of the unlawful nature of those data or of activities of that recipient, fails to act expeditiously to remove or disable access to those data.

The Court delegated the task of assessing the role of search engines on a case by case basis to national courts<sup>61</sup>. It held that Google may or may not qualify for an exemption from liability based on Article 14 of the E-Commerce Directive, as national courts must decide as a question of fact whether or not Google takes an active role in the data which it stores related to keywords. More concretely, national courts are called to resolve whether Google's operation qualifies as a passive conduit, or, in other words, whether Google «is neutral in the sense that its conduct is merely technical, automatic and

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<sup>57</sup> Important clarifications have been provided by the CJEU in C-323/09, *Interflora*, cited, pars. 47-51.

<sup>58</sup> This position has been affirmed by the CJEU in C-323/09, *Interflora*, cited, par. 37.

<sup>59</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 98.

<sup>60</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 57.

<sup>61</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 119.

passive, pointing to a lack of knowledge or control of the data which it stores»<sup>62</sup>. Taking into consideration that Google follows specific practices regarding AdWords, which are outlined in its terms and conditions, one wonders why the Court opted for the role of Google to be determined on a case by case basis by national courts and did not provide concrete answers.

Nevertheless, the CJEU provided some guidelines to national courts as to when an intermediary may or may not be deprived of the exception to liability provided for in the E-Commerce Directive. First of all, the mere facts that the referencing service is subject to payment cannot have the effect of depriving the intermediary of the exemptions from liability provided for in the E-Commerce Directive<sup>63</sup>. Secondly, the concordance between the keyword selected and the search term entered by an internet user is not sufficient in itself to justify the view that an intermediary has knowledge of, or control over, the data entered into its system by advertisers and stored in memory on its server<sup>64</sup>. On the contrary, the role played by an intermediary in the drafting of the commercial message which accompanies the advertising link or in the establishment or selection of keywords is relevant<sup>65</sup>.

Despite these guidelines provided by the CJEU, in essence it failed to clarify substantively Article 14(1)(a) of the E-Commerce Directive. The CJEU's decision to delegate the task of assessing the role of Google on a case by case basis to national courts seems to contradict the role of the Court as the guarantor of the uniform application of EU law, as one may question why national law should be left to decide on common values set by the European legislator. Considering that Google is the major search engine, the Court had the opportunity to use trademark law to shape future conduct by market actors in this area. Technology is changing fast and Google is shaping practices, instead of the law shaping practices.

As for Google, the delegation to national courts is a double defeat. On the one hand, the CJEU's judgment offers no legal certainty as to which conduct will be deemed legal in 27 different jurisdictions, which can prove detrimental for the future development of the online environment. Considering that the Article 14 defence is not available, if the provider becomes aware of the unlawful activities and then fails to expeditiously remove or disable access to the data, it is not clarified what would amount to an appropriate course of action<sup>66</sup>.

#### 4. CONCLUSIONS

The CJEU held that Google has not infringed trademark law by allowing advertisers to purchase keywords corresponding to their competitors' trademarks. A careful reading of the decision though demonstrates that the ruling provides copyright proprietors with the tools to start new battles against Google and other search engines in the future. In particular, the use of trademarks as keywords by advertisers infringes trademark law, as long as the displayed advertisements do not allow internet users to establish easily from which undertaking the goods or services covered by the advertisement in question originate. This can have a tremendous impact on the nature of online advertising, firstly because the potential advertisers' liability may lead to a chilling effect on the purchase of trademarks as search terms, which could then result in lower revenues for search engines. More importantly though, although the CJEU held that Google could not be held primarily liable for trademark infringement as a

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<sup>62</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 114.

<sup>63</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 116.

<sup>64</sup> Joined Cases C-236 to C-238/08, *Google France*, cited, par. 117.

<sup>65</sup> More guidance was offered by the Court in C-324/09, *L'Oréal/eBay*, cited, pars. 115-116. In particular, the Court held that the mere fact that the operator of an online marketplace stores, offers for sale on its server, sets the terms of its service, is remunerated for that service and provides general information to its customers, cannot have the effect of denying it the exemptions from liability provided for by the E-Commerce Directive. By contrast, its role is considered active, if the operator has provided assistance which entails, in particular, optimising the presentation of the offers for sale in question or promoting those offers.

<sup>66</sup> Note that the CJEU clarified the notion of «awareness» in C-324/09, *L'Oréal/eBay*, cited, pars. 120-122.



platform provider, it may incur secondary liability under national law, should it be regarded as an accessory to trademark infringement by an advertiser. In such cases the Court's ruling on whether Google may enjoy the immunity provision concerning «storage» of infringing information in accordance with Article 14 of the E-Commerce Directive does not provide much help to Google. As the Court delegated to national courts the task of assessing on a case by case basis whether the role played by Google is neutral, there is a risk of inconsistent national rulings.

Hence, the Court's judgment in *Google France* left a number unanswered questions, which resulted in further litigation. Following the ruling on *Google France*, the CJEU delivered five other preliminary rulings and an order on keyword advertising. In *BergSprechte*<sup>67</sup>, in *Eis.de*<sup>68</sup> and in *Portakabin*<sup>69</sup> the Court affirmed its ruling in *Google France*; furthermore, in *BergSpreche* the Court applied by analogy Google France's ruling in 5(1)(b) cases, when a third party is using signs similar to a trademark in relation to similar goods or services with the one for which the trademark is registered<sup>70</sup>, while in *Portakabin* the Court clarified the circumstances under which advertisers who infringe trademark law by purchasing trademarks for keyword advertising may justify their conduct under the provisions of Article 6(1)(b) and (c) and 7 of the Trademark Directive<sup>71</sup>.

Moreover, in *L'Oréal v. eBay*<sup>72</sup> the Court decided upon eBay's liability as a trader operating an electronic marketplace that purchases from a search engine the use of a sign identical to a trademark as a keyword and demonstrates such signs in its own website, clarifying in particular the conditions under which internet service providers can benefit from the safe harbour of Article 14(1) of the E-Commerce Directive. Similarly, the questions left open by the CJEU in *Google France*, especially as regards the interpretation of Articles 5(2) of the Trademark Directive and Article 14(1) of the E-Commerce Directive, were the subject of *Interflora*, where the Court ruled on whether the use of AdWords confers an unfair advantage under Article 5(2) of the Trademark Directive<sup>73</sup>.

These cases illustrate that the *Google France* saga presents the first milestone decision that serves as a point for reference for the further clarification of the legality of use of trademarks as keywords in the online environment. However, despite the clarification of its pronouncements in later cases, there are still issues that are left open. Firstly, the CJEU will eventually need to clarify the meaning/notion and the terms of application of its newly devised «use in its own communication» criterion and spell out its relation to the «use in relation to good and services» criterion. Understandably, the conditions under which a use of a sign has an adverse effect on the function of a trademark depends to a large extent on factual circumstances; still, the Court could provide more guidance. Secondly, the Court may need to

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<sup>67</sup> C-278/08, *BergSprechte*, cited.

<sup>68</sup> C-91/09, *Eis.de*, cited. The CJEU's response in *Eis.de* is almost identical to that given in *BergSpechte* and very similar to the CJEU's responses in *Google France*. The CJEU cites *Google France* in almost every paragraph of *Eis.de*. Most notably the Court refers to pars. 65-73, 79, 81, 83-84, 89-90, 98 of *Google France*.

<sup>69</sup> C-558/08, *Portakabin*, cited. The CJEU cites *Google France* throughout its reasoning, and in particular in pars. 27-35; 42; 50.

<sup>70</sup> C-278/08, *BergSprechte*, cited, par. 40.

<sup>71</sup> C-558/08, *Portakabin*, cited, pars. 56-72 with regard to Article 6 and pars. 73-93 with regard to Article 7. Article 6 provides that the trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade his own name or address; indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters. Article 7 provides that he trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the EU under that trademark by the proprietor or with his consent, unless there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially if the condition of the goods is changed or impaired after they have been put on the market.

<sup>72</sup> C-324/09, *L'Oréal/eBay*, cited.

<sup>73</sup> C-323/09, *Interflora*, cited.

elaborate further the terms of application of Article 14 of the E-Commerce Directive. Although in *L'Oreal v. eBay*, the Court engaged in the analysis of the concept of «awareness», it remains unclear what would constitute expeditiously acting in the online advertising sector.

The cautious, one step at the time, approach taken by the CJEU constitutes a wise way forward in many fields, as it allows for problems to be tackled with when they arise and does not predicate future developments. This approach, however, may not be suitable in the field of online advertising, where the danger lures that due to the pace of technological changes the response of the European judge may come too late, as law and behaviour end up being shaped by private actors.